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97TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
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AMENDING THE LANHAM TRADEMARK ACT

AUGUST 19, 1982.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. KASTENMEIER, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H.R. 5154]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 5154) to amend the Lanham Trademark Act to prohibit any State from requiring that a registered trademark be altered for use within such State, and to encourage private enterprise with special emphasis on the preservation of small business, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment (stated in terms of the page and line numbers of the introduced bill) is as follows:

Page 2, line 6, after "displayed" insert "in the mark".

STATEMENT

The need for H.R. 5154 arises out of a 1978 Nevada case, *Century 21 Real Estate Corp.* v. *Nevada Real Estate Advisory Commission*, 448 F Supp. 1237. In that case the Supreme Court denied certiorari to an appeal of a three judge District Court decision holding that the Lanham Trademark Act did not preempt the Nevada Real Estate Commission from regulating the use of a federally registered trademark. Specifically, the District Court upheld a state regulation requiring licensed real estate brokers to modify their trademarked logos so that 50 percent of the surface area of any advertisement would display the name of the local franchisee. The trademark registration on file with the Patent and Trademark Office provides for 20 percent of the surface area of the logo for the display of the name of the franchisee. In the aftermath of the Nevada decision, other states have adopted rules requiring different percentages of the logo to be devoted to the name of the local franchisee. Still other states have considered and rejected such rules as being anticompetitive, arbitrary and onerous and have

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required other methods of disclosure of the independent nature of a franchisee who uses a federally registered trademark.

The result of these regulations has been the kind of confusion in uses of trademarks from one jurisdiction to another which the Lanham Trademark Act of 1946 was designed to eliminate.

The purpose of H.R. 5154 is to eliminate this confusion and to restore the preemptive nature of federal Trademark law. It in no way restricts the rights of states to otherwise regulate the activities of franchise realtors.

To make the limited scope of the bill clear the Committee adopted amendment, recommended by the Patent and Trademark Office, to make it clear that restriction on a state's power is limited to the display of the franchisee's name "in the mark" itself and not to other uses of trademarks in advertising. During the course of Committee debate Mr. Frank raised the issue of whether the bill would in any way restrict the zoning or historic site protection laws or regulations of states. On the advice of counsel, the Committee concludes that the bill in no way affects the powers of state and local governments in areas of concern raised by the gentleman from Massachusetts.

The bill is supported by the Patent and Trademark Office, the International Franchise Association and the U.S. Trademark Association. During the course of hearings on the issue the Committee received no notice of opposition to the bill.

H.R. 5154 is a technical bill designed to eliminate an uncertainty in existing Trademark law.

New Budget Authority

In regard to clause 2(l) (3) (B) of rule XI of the Rules of the House of Representatives, H.R. 5154 creates no new budget authority or increased tax expenditures for the Federal Government.

Inflationary Impact Statement

Pursuant to clause (l) (4) of rule XI of the Rules of the House of Representatives, the Committee finds that the bill will have no foreseeable inflationary impact on prices or costs in the operation of the national economy.

Federal Advisory Committee Act of 1972

The Committee finds that this legislation does not create any new advisory committees within the meaning of the Federal Advisory Committee Act of 1972.

Committee Vote

The Committee on the Judiciary ordered reported H.R. 5154, as amended, by voice vote with a quorum of members being present.

Statement of the Congressional Budget Office

Pursuant to clause 7, rule XIII of the Rules of the House of Representatives and section 403 of the Congressional Budget Act of 1974, the following is the cost estimate of H.R. 5154, as amended, prepared by the Congressional Budget Office.

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U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., August 19, 1982.

Hon. PETER W. RODINO, Jr.,
Chairman, Committee on the Judiciary, U.S. House of Representatives, Rayburn House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has reviewed H.R. 5154, a bill to amend the Lanham Trademark Act to prohibit any State from requiring that a registered trademark be altered for use within such State, and to encourage private enterprise with special emphasis on the preservation of small business, as ordered reported by the House Committee on the Judiciary, August 19, 1982.

The bill would clarify the portion of the Lanham Act that protects federally registered trademarks from interference by state or territorial legislation. CBO estimates that enactment of this legislation would result in no additional cost to the government.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

ALICE M. RIVLIN, *Director.*

OVERSIGHT STATEMENT

The Committee on the Judiciary has oversight responsibility over the operations of the trademark system and the Patent and Trademark Office in the Department of Commerce. In addition to its ongoing oversight, the Committee's Subcommittee on Courts, Civil Liberties and the Administration of Justice held an oversight hearing with respect to the Patent and Trademark Office on March 4, 1981, published as Oversight Hearings Before the Subcommittee on Courts, Civil Liberties and the Administration of Justice of the Committee on the Judiciary, House of Representatives, Ninety-Seventh Congress, First Session on the Copyright Office, The U.S. Patent and Trademark Office, and the Copyright Royalty Tribunal, Serial No. 17.

The Committee expects to continue its oversight activities in this area.

STATEMENT OF THE BUDGET COMMITTEE

No statement has been received on H.R. 5154 from the House Committee on the Budget.

ESTIMATE COST OF THE LEGISLATION

The Committee concurs in the estimate of the Congressional Budget Office that no net additional cost is likely to be incurred by the federal government as a result of enactment of H.R. 5154.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

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ACT OF JULY 5, 1946

AN ACT to provide for the registration and protection of trade-marks used in Commerce, to carry out the provisions of certain international conventions, and for other purposes

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TITLE VI—REMEDIES

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SEC. 39a. No State or other jurisdiction of the United States or any political subdivision or any agency thereof may require alteration of a registered mark, or require that additional trademarks, servicemarks, trade names, or corporate names that may be associated with or incorporated into the registered mark be displayed in the mark in a manner differing from the display of such additional trademarks, servicemarks, tradenames, or corporate names contemplated by the registered mark as exhibited in the certificate of registration issued by the United States Patent and Trademark Office.

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